

VOLUME 6B, CHAPTER 6: “STATEMENT OF CHANGES IN NET POSITION”**SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also denoted by [blue font](#).

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [***bold, italic, blue and underlined font***](#).

The previous version dated [November 2019](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.0	Added clarifying language on the format for the Statement of Changes in Net Position (SCNP).	Addition
3.1	Revised the selection criteria to produce the SCNP in the Defense Departmental Reporting System.	Revision
3.2 (Previous version)/ 2.0 and 3.1	Removed the SCNP line-item instructions to streamline chapter and referred the reader in section 2.0 and paragraph 3.1 to follow the current reporting requirements in Office of Management and Budget (OMB) Circular A-136.	Deletion/ Addition
3.3	Added clarifying language on the review, disclosure, and notification of prior period adjustments.	Addition
Figure 6-1 (Previous version)/ 2.0 and 3.1	Removed Figure 6-1 and referred the reader in section 2.0 and paragraph 3.1 to follow the current reporting requirements in OMB Circular A-136.	Deletion/ Addition

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CHAPTER 6**STATEMENT OF CHANGES IN NET POSITION****1.0 GENERAL****1.1 Purpose**

This chapter prescribes the policy surrounding the preparation of the Department of Defense (DoD) Statement of Changes in Net Position (SCNP). It provides details for the formatting required for the SCNP and instructions for preparing the Unexpended Appropriations and Cumulative Results of Operations sections thereof.

1.2 Authoritative Guidance

The requirements of this chapter apply to Tier 1 reporting entities referenced in Chapter 1, section 4.0. The SCNP reports the change in net position during the reporting period. Guidance from Office of Management and Budget (OMB) [Circular A-136](#), “Financial Reporting Requirements,” and Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 4700 ([TFM 2-4700](#)), “Federal Entity Reporting Requirements for the Financial Report of the United States Government,” is incorporated throughout this chapter. Annual updates to OMB Circular A-136 are on the OMB website.

2.0 FORMAT FOR THE SCNP*2.1 General Information**

The SCNP reports the change in net position during the reporting period. The net position is affected by changes to its two components: Unexpended Appropriations and Cumulative Results of Operations. The SCNP format displays both components of net position separately to enable the user to understand better the nature of changes to net position as a whole. [Included in the Cumulative Results of Operations is a separate line item for non-exchange revenue, but since this revenue is not from business-like operations it will not impact the net cost of operations.](#)

2.2 Format for the SCNP

The SCNP will be prepared in accordance with the format presented in [OMB Circular A-136](#). The [draft](#) versions of all statements and notes must include line numbers as shown in [OMB Circular A-136](#). All amounts are in dollars and cents in the [draft](#) versions of the statements and notes in order to facilitate communication among the preparers, reviewers, and auditors during the financial statements preparation process. This process minimizes the additional time and workload required to round and reconcile dollar amounts.

2.3 Format for the Final Published SCNP

The final (year-end) published DoD principal statements including the SCNP, and notes to the principal statements display dollars rounded to millions with one decimal point. All Component statements, and notes to the statements, display dollar amounts rounded to the nearest thousand on the final published principal statements and in the tables/schedules contained in the notes to the principal statements. Dollar amounts in note narratives must be reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g., \$340.1 million, not \$340,100 thousand). The line numbers shown in OMB Circular A-136 are for reference purposes only. Line number references are not included on the final published statements.

3.0 GENERAL INSTRUCTIONS FOR THE PREPARATION OF THE SCNP

*3.1 Preparation

The SCNP is prepared from information utilizing Department of the Treasury (Treasury) United States Standard General Ledger (USSGL) accounts and crosswalks. System users can access crosswalk information within the USSGL section of the [TFM](#) for current fiscal year reporting. The crosswalk for each line of the SCNP is included in the Defense Departmental Reporting System - Audited Financial Statements ([DDRS-AFS](#)). Authorized DDRS users may access the most current mapping of the SCNP by selecting “Query” from the main DDRS-AFS menu, then selecting “Referential Data,” and then “NP” under one of the “Report Map” options. The “Report Map Current” represents the current year's column mapping, while the “Report Map Comparative” is for the comparative year's column mapping. Both columns are necessary for the statement mapping. SCNP must be prepared in accordance with OMB Circular A-136. Refer to OMB Circular A-136 for reporting requirements and line-item instructions.

3.2 Dedicated Collections

3.2.1. Generally, funds from dedicated collections are financed by specifically identified revenues provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute for designated benefits, activities, or purposes, and must be reported separately from the Federal government’s general revenues. The Statement of Federal Financial Accounting Standards ([SFFAS](#)) 43, “Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds,” contains the complete definition and criteria for dedicated collections. Report the portions of Cumulative Results of Operations and Unexpended Appropriations attributable to dedicated collections in Note 18, “Funds from Dedicated Collections,” of the notes to the financial statements.

3.2.2. Resources from “Funds from Dedicated Collections” derived from trust or special fund receipts are often commingled or mixed with resources from the General Fund of the U.S. Government. If the predominant source of a mixed fund is “Funds from Dedicated Collections,” the entire fund may be reported in the financial statements as “Funds from Dedicated Collections.”

Whether a mixed fund is reported as “Funds from Dedicated Collections” depends upon the predominant use of the fund and whether the fund as a whole meets the definition of “Funds from Dedicated Collections” in SFFAS 43.

*3.3 Prior Period Adjustments

A prior period adjustment is an adjustment to balances of a prior period due to a change in accounting principle or correction of a material error (or an aggregation of errors). Prior period adjustments for correction of material errors require [the](#) restatement of prior period balances, while adjustments for changes in accounting principles generally do not. Immaterial errors must be corrected in the period discovered, using the accounts that would have been posted had the transactions occurred in the current period. For additional guidance, refer to [SFFAS 21](#), “Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources,” and the [Prior-Period and Prior-Year Adjustment Scenarios](#).

3.3.1. Requests for Prior Period Adjustments. Prior period adjustments will be included in the quarterly financial statements in accordance with the guidance found in Section 405 of the DoD Financial Reporting Guidance, hereafter referred to as “[DoD FRG](#).” Components should not record prior period adjustments in USSGL accounts without prior [review](#) from [the](#) Defense Finance and Accounting Service (DFAS) Financial Reporting-Audited Financial Statements (FR-AFS) Directorate [and the Office of the Under Secretary of Defense \(Comptroller\) \(OUSD\(C\)\) Financial Management and Policy Reporting \(FMPR\) Directorate](#). Forward all requests for prior period adjustments to DFAS [FR-AFS Directorate](#), accompanied by prior period adjustment packages with required supporting documentation, as outlined in the DoD FRG.

3.3.2. Calculating Materiality. Calculate materiality separately at the DoD reporting entity level, and against a materiality base. If the misstatement involves assets, then the materiality base should be total assets. If the misstatement involves liabilities, then the materiality base should be total liabilities. If the misstatement involves expenses, then the materiality base should be total expenses. Calculate the materiality base net of intragovernmental balances. For DoD reporting entities, an error (or aggregate of errors) is material when it equals or exceeds one percent of the materiality base. See the DoD FRG for additional information.

3.3.3. Disclosure of Prior Period Adjustments. Prior period adjustments that require restatements are included in Note 28, “Restatements,” [which can be reported in any quarter during the year](#). Note disclosures to the principal financial statements are explained in Chapter 10. Disclosures include the nature of the errors and the effect on relevant balances in the current period. Financial statements of subsequent periods need not repeat the full disclosures but should disclose whether there are prior period adjustments not reflected in comparative balances. A note disclosure is required when management becomes aware of a potential misstatement due to material error(s) whether or not the exact amount is known or has been corrected at the time financial statements are prepared. Disclose the nature of a prior period adjustment as the result of a change in accounting principle in accordance with the guidance found in Chapter 10, Note 20, “Disclosures Related to the Statement of Changes in Net Position.”

3.3.4. Management's Responsibility and Notification of Auditors. Upon discovery that material errors escaped detection and were included in the published audited financial statements, management must assume responsibility for any false or misleading information in the financial statements, or omissions that render information or disclosures made in the financial statements misleading. As soon as possible after the detection of an error, management must notify their auditors and the primary users of their financial statements of the error and management's plans to correct it in the financial statements. Components with prior period adjustments will immediately notify the DFAS FR-AFS Directorate and OUSD(C) FMPR Directorate of the material error. The Office of the Secretary of Defense will make the formal notification to the Congress, OMB, Treasury, and the Government Accountability Office. The notification should include the cause of the error, an estimated dollar amount of the error, and whether a previously issued financial statement(s) will or may be restated. The general public can see the revised statements on the Office of the Under Secretary of Defense ([Comptroller](#)) website. The misstated financial statements will be removed from the website.

3.3.5. Auditor's Responsibility. If a "Subsequent Discovery of Facts" exists on the date of the auditor's report, the auditors will determine whether action is required to prevent future reliance on the published audit report. The auditors may determine if revised financial statements and a revised auditor's report are required. The auditors may decide to change the audit opinion if it is determined that subsequently discovered information is not reliable. Therefore, it is imperative management work with their auditor as soon as possible after the detection of an error and assist in any actions to resolve the audit finding.